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OPPORTUNITIES IMPROVING FOR FOREIGN WORKERS IN JAPAN BUT STILL LIMITED

SUMMARY

Pressure for better market opportunities in Japan for foreign suppliers of goods and services and offshore investors is routine. In recent years, however, Tokyo has had to field a different type of market access demand — to open the Japanese labor market to foreigners. This demand has touched off an unusual domestic debate, one that melds new lines of reasoning with arguments raised when the market target is the more common variety and that involves a different array of interest groups than the typical market access demand.

Domestic concerns about an influx of unskilled laborers and worries about the growing number of foreigners who stay in Japan and take unskilled jobs, sometimes illegally, continue to color one side of the debate. Offering another perspective are small and midsized businesses that cannot find enough workers even though the economy is close to or actually in a recession. A third element is represented by workers from developing countries who want to improve their skills by gaining experience in factories that produce low technology products, most of which are operated by the very type of company looking for workers.

Hoping to carve out a middle ground, Tokyo has decided to introduce a program that will allow foreign workers who meet certain requirements to get in-house training over a nine-month period and continue to work for the host company for up to 15 months. This approach reflects the advice of a government administrative reform panel last December. A semigovernmental organization established last October will backstop participating workers and companies when the training program is put in place late this year.

A Primer on Who Can Work in Japan

To work legally in Japan a person must either be a Japanese citizen or satisfy certain eligibility requirements set forth in the country's immigration regulations. The foreigners who have the easiest time qualifying for work permits are permanent residents and their dependents plus a

variety of people considered to be professionals or skilled workers (see Table 1). Permanent residents, most of whom were forced to move from Korea and Taiwan during the Japanese occupation period,

Table 1: **Foreigners Entering Japan by Residence/Job Status Plus Region of Origin, 1990**

	Total	Asia	Europe	North America	South America	Africa	Oceania	Soviet Union
Diplomats	10,762	3,282	2,418	2,516	493	1,014	579	456
Government Officials	15,629	7,843	1,963	3,298	270	780	884	578
Professors	3,101	452	810	1,703	16	7	104	9
Artists	2,668	1,258	678	619	17	13	61	14
Clergy	4,894	817	860	3,081	19	10	99	7
Journalists	1,380	207	481	637	4	2	44	5
Managers	40,974	8,583	14,154	16,575	294	84	1,202	71
Lawyers/Accountants	568	23	136	374	—	—	34	1
Medical Personnel	695	649	12	31	2	—	1	—
Researchers	693	305	178	187	3	7	3	10
Instructors	16,430	443	2,984	11,813	23	22	1,137	8
Engineers	3,753	1,618	570	1,456	32	19	54	4
Social Scientists	22,956	10,882	3,257	7,377	481	54	867	19
Intrafirm Transfers	2,721	1,125	610	866	30	3	68	18
Entertainers	75,698	49,644	10,633	11,524	1,040	313	976	1,538
Other Skilled Workers	3,454	2,791	588	51	7	1	13	1
Other Performers*	2,595	1,367	432	659	35	29	30	43
Visitors**	2,705,538	1,568,675	428,436	548,589	70,108	7,804	59,298	20,847
College Students	55,935	50,262	1,746	2,773	531	212	315	63
Precollege Students	47,150	43,879	1,564	1,092	89	44	451	9
Trainees	41,090	33,526	2,201	1,493	2,217	1,162	395	83
Dependents	51,933	26,092	9,806	13,910	555	165	1,209	129
Designated Activities	5,973	1,432	30	1,691	20	17	2,739	44
Permanent Residents	91,464	85,158	2,687	2,831	163	47	204	39
Nonnative Relatives of Nationals	104,369	80,058	4,203	7,571	11,465	272	597	92
Children/Spouses of Permanent Residents	19,491	18,466	279	546	82	5	34	4
Others***	172,556	165,536	599	1,262	4,867	9	149	43

Notes: Not all categories add up to the total because in some cases no nationality was listed. The figures do not necessarily correspond with the number of visas issued or foreigners' registration records at local government offices since some foreigners had multiple-entry visas and, thus, were counted more than once.

*People who do not receive salaries while in Japan.
**People who can stay in Japan no more than 90 days.
***Includes long-term residents, people residing permanently under special arrangements, and refugees and other people granted temporary protection.

Source: Management and Coordination Agency, Statistics Bureau, *Statistical Yearbook of Japan, 1991.*

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face only a few restrictions on the types of jobs they can hold. (The same limitations apply to their descendants.) Some government positions, for example, are not open to permanent residents (see *JEI Report*, No. 2B, January 18, 1991).

The employment door in Japan also is fairly wide open for foreigners living in Japan with a Japanese spouse or the child of such a couple, although even in this situation the noncitizen has to periodically renew his or her visa — every three months, six months, year or three years, depending on the person's status. Another group that can obtain a work permit relatively easily includes descendants of Japanese emigrants, many of whom have dual citizenship. Over the last few years there has been an influx of Brazilians and Peruvians whose Japanese parents had registered them as Japanese citizens at the Japanese consulate in their respective land of birth. These people generally have sought temporary employment, even taking unskilled jobs — a category of work for which no other foreigners legally can obtain visas.

Temporary residents, who can stay in Japan no more than three years without renewing their visas, are classified in four general categories: workers who have a job listed in the immigration rules; students in universities or colleges; students in Japanese language or vocational training schools; and trainees in public or private institutions. Students are allowed to work part-time, defined as less than four hours a day, if they receive permission from the immigration office. Trainees are prohibited to work; instead, they receive an allowance for living expenses of ¥30,000 ($222 at ¥135=$1.00) to ¥180,000 ($1,333) a month, either from the Japanese government or the host company.

Under a June 1990 revision of Japan's immigration regulations (see *JEI Report* No. 23A, June 15, 1990) more job classifications were opened to foreign temporary residents. The 16 currently open are: diplomacy, government business other than diplomacy, teaching in higher educational institutions, artistic activities, missionary work, journalism, investment and business management, legal and accounting services, medical services, research other than teaching in educational institutions, teaching at elementary or high schools, providing professional techniques based on science and technology, business related to social science knowledge and/or international activities, intrafirm assignments, entertainment (such as singing, dancing and sports events), and other skilled labor with unusual talents (for example, a chef specializing in a foreign cuisine.)

Excluding diplomats and other government officials, foreigners coming under the temporary workers' category and entering Japan for the first time accounted for 106,936 visas during the first 12 months that the new immigration rules were in effect. (The figures listed in Table 1 do not correspond with the number of newly issued entry visas since some people with multiple-entry visas entered more than once during the period.) Of these newly issued visas 82 percent went to entertainers. Figures for 1990, listed in Table 1 — which includes only half a year's data generated under the expanded classification system, show that 2,721 visas were issued to people whose foreign-based companies sent them to an affiliated office in Japan or who worked for the overseas subsidiaries of Japanese companies and came to Japan to work at headquarters.

Professionals who are not employed by offshore subsidiaries of Japanese businesses or by foreign companies operating in Japan typically have trouble obtaining visas that will allow them to work unless they can meet some fairly stiff requirements. For example, to obtain an extended-stay visa for technical or scientific work an applicant must be a university graduate in the sciences or a technical field with more than 10 years of relevant job experience. Foreigners who apply for visas under the specialized skills category also are required to have a certificate attesting to their special abilities as well as over 10 years of job experience. Perhaps at the extreme are foreign students who graduate in the sciences or technical fields from Japanese universities or vocational training schools but cannot work in Japan because they do not have adequate job experience. Although government officials said when they amended the immigration regulations that they expected to allow more foreign specialists to work in Japan, only 4,853 visas were issued under the relevant categories over the June 1990-June 1991 period.

Keeping Track of Foreign Workers

Obviously, not all of the foreigners who enter Japan (about 3.5 million in 1990) want to stay and work there. Most visitors are tourists or business people who are there less than 90 days. Some foreigners do remain in Japan to work or study, although determining their exact numbers is difficult because no specific survey addresses how many foreigners, including those working illegally, are in Japan. Some immigration data, however, suggest that growing numbers of foreigners work there.

Japanese immigration regulations require all foreigners who plan to stay in Japan more than 90 days to get a special visa as well as to register at the nearest local government office. The only exceptions to the registration requirement are diplomats and other government officials as well as their family members plus U.S. military personnel stationed in Japan and their family members.

Local government records show that as of the end of 1990 almost 1,075,000 foreigners had registered as required. Of the names on file 645,000 had permanent-resident status, including 620,000 Koreans and Taiwanese. The remaining temporary residents included foreigners who had a Japanese spouse or their children as well as descendants of Japanese emigrants (80,000); overseas residents who either themselves held a qualified working visa or were living with someone who did (230,000); or foreigners who were in Japan for nonwork-related purposes, such as studying and training, and their dependents (120,000).

Between 1985 and 1990 the number of people seeking visas for work, training or study in language or vocational training schools more than doubled. Foreign students granted visas to study at Japanese universties or colleges came close to doubling (see Table 2). The number might have been much greater for students in language and vocational schools except that, after visas for this purpose reached 35,107 in 1988, qualifications were tightened. Immigration officials acted to stem the inflow of students applying to Japanese language schools because they suspected a number of unskilled workers were only pretending to study Japanese and instead were working.

Table 2: **Number of Foreigners Entering Japan for First Time for Work, Study or Training, 1982-90**

Year	Employees*	Students at Universities and Colleges	Students at Language and Vocational Schools	Trainees
1982	33,634	3,410	2,556	9,978
1983	34,582	3,912	3,448	11,929
1984	42,775	4,329	4,140	13,262
1985	43,994	4,797	8,942	13,987
1986	54,736	5,419	12,637	14,388
1987	69,183	5,812	13,915	17,081
1988	81,407	6,435	35,107	23,432
1989	71,978	7,777	18,183	29,489
1990	94,868	9,528	20,851	37,566

*Excludes permanent residents as well as diplomats and other foreign government officials and U.S. military service people and their families.

Source: Ministry of Justice

The Problem of Illegal Workers

Prosecution of foreigners caught working illegally in Japan jumped nearly fivefold between 1985, when 5,629 cases were brought, and 1990, when 29,888 were filed. Moreover, as a result of

tightening immigration inspections, 20,719 foreign visitors arriving at Tokyo's Narita International Airport were not allowed to enter Japan last year; that number was more than double the 1990 figure of 9,669. Although a large majority of those refused entry came from Asia and the Middle East, the nationalities of people suspected of trying to enter Japan to work illegally represented 81 countries.

The number of people actually deported or refused entry represents only a portion of the foreign residents thought to be working illegally in Japan. The Ministry of Justice estimated that 160,000 foreigners were living illegally there as of June 1991. Although the ratio of foreign workers to the total population of Japan is relatively small compared with the ratio in the United States or European nations, foreign nationals often are more visible in a homogeneous nation such as Japan. Another factor, not unfamiliar to Americans, is that foreign workers tend to live near people of the same nationality; this concentration makes their presence more noticeable. Some Japanese have grown correspondingly more concerned about an influx of foreign workers in their neighborhood.

Determining whether foreign residents are working illegally is difficult at best. Most illegal workers come to Japan disguised as tourists. Tokyo has concluded tourist visa exemption agreements with many countries; these pacts allow visitors planning to stay less than 90 days to enter the country without a visa. Tourists who stay beyond the authorized 90-day period are considered to be illegal aliens and are assumed to be working illegally. Neither visa records nor foreigner registration records track these illegal workers since it is unrealistic to expect them to register their status at a local government office.

Also considered to be illegal workers are foreigners who have a valid temporary resident visa but do unauthorized work. Some foreigners with an entertainer's visa, for example, reportedly also work as waiters or hostesses. In some cases foreign students, who are allowed to work only up to four hours a day, end up putting in more time to meet tuition or living expenses. A January 1992 survey by the Management and Coordination Agency pointed out that some trainees are more or less full-time workers rather than part of a government-supervised but company-hosted training program.

Employment Prospects for Legal Foreign Workers

Information about the working conditions of foreigners in Japan comes in bits and pieces. An annual survey by prefectural labor audit offices showed that in 1990 only 74 of the 12,276 surveyed firms — or 0.6 percent — employed more than one foreign worker. The number of foreign workers in the 74 firms totaled just 609. Missing from this nationwide survey, however, is any breakdown by industrial sector and/or size of company that employs foreign workers.

In a separate survey covering 1990 the Ministry of Labor focused on foreigners employed under a qualified temporary work visa; omitted from the data were permanent residents and illegal workers. Among the 4,500 companies with more than 100 employees contacted by the ministry, 3,965 answered the questionnaire. The survey showed that 10.3 percent of the respondents had hired at least one foreign employee; on average 6.1 foreign workers were employed by those companies that did hire foreigners.

Not surprisingly, larger companies generally were more likely than smaller ones to hire foreign nationals. The survey found that 66 percent of the surveyed companies with more than 5,000 employees hired at least one foreigner — 14.4 foreigners per business on average. Among the next-largest firms, those employing 1,000 to 4,999 people, only 26.3 percent had foreign workers on the payroll; their average was 7.4 foreigners per company. Even fewer medium-sized firms (those with 300 to 999 workers) had foreign employees, but their percentage of 14.2 percent was more than twice the 6 percent rate for firms employing 100 to 299 workers. Having offices overseas was no indication that firms would hire foreign workers in Japan; only 28.9 percent of the companies in that category had foreign employees at home.

By sector the most likely employers of foreigners were in financial services or some other services; 14.3 percent of these firms had hired foreign workers. Retail and wholesale firms and manufacturing companies ranked next, with 10.8 percent and 10.7 percent, respectively, employing foreign workers. The transportation and construction industries employed the fewest foreigners, 4.7 percent and 4 percent, respectively. The apparent scarcity of foreign workers in the transportation and construction industries stems, in some part, from the fact that the figures do not include unskilled foreign laborers — who legally cannot work — as well as the sample's exclusion of small companies.

The survey also indicated that 32.8 percent of foreign employees worked part-time while 29.5 percent had full-time status; the remaining 37.7 percent had short-term contracts. By job category technical positions, like data processing, covered 24.6 percent of the surveyed foreign workers. Next were translators and interpreters (21.1 percent). Market and other business research positions employed 20.6 percent, followed by 17.6 percent in general business operations, 16 percent in sales, 7.6 percent in language teaching and 7 percent in other professional jobs, like legal services.

Companies that employed foreign workers generally had a good impression of them. Over the past three years 67.8 percent of the MOL-surveyed firms that had hired foreigners increased their numbers; of these firms 40.5 percent planned to expand hiring of foreign workers in the next three years. Most employers said they appreciated foreign nationals not only for their language skills but also for their professional abilities and their way of thinking, influenced as it is by a different cultural background.

Conditions for Illegal Workers

Monitoring the working conditions of unskilled laborers illegally employed in Japan always has been difficult but, ironically, the June 1990 changes in the country's immigration regulations have made this job harder because now employers that hire people without a work visa can be punished along with the illegal workers themselves. Despite the tightened immigration rules, unskilled foreign laborers continue to be hired, particularly in what are known as the 3K industries — those that are *kiken* (dangerous), *kitanai* (dirty) and *kitsui* (hard). Of the 24,176 male foreigners prosecuted for working illegally in 1990, the latest year for which data are available, 6,774 were construction workers and 7,620 were factory workers. Since Tokyo committed to increased funding of public works in the Structural Impediments Initiative talks with Washington, analysts expect the construction industry to have trouble finding enough workers for some time. Even though the Japanese economy may be in a recession (see *JEI Report* No. 5B, February 14, 1992), construction companies and small and midsized manufacturers are expected to continue to struggle with chronic labor shortages. This stems in part from the higher standard of living in Japan; that makes many Japanese workers disdain 3K-type work even if offered a higher salary than what they are making.

Further complicating government's ability to monitor illegal foreigner workers is the fact that they generally are hired on a daily or a monthly contract basis and frequently move from site to site. According to a voluntary group that tracks accidents in which foreign workers are involved, more than 150 cases were reported to their hotline from January to September 1991; in 1990 only 42 cases were reported. A majority of these accidents were related to 3K-type jobs. Although workers' compensation insurance can be extended to foreign nationals regardless of their legal status, many foreigners illegally staying in Japan are unware of this option; even for those who do know, both employers and employees tend to hesitate to apply for workers' compensation for fear that they will expose their position and become a target of prosecution. The January 1992 Management and Coordination Agency survey listed only 115 cases among those filed in 1990 as involving foreign employees requesting workers' compensation. Of these, 81 concerned illegal workers.

Unlike workers' compensation insurance, access to national health insurance coverage and public services, such as education, depend primarily on whether a worker has registered at his or her local government office. Neither a foreign resident without the appropriate visa nor any family

members can take advantage of public services without registering. The current provision of public services in Japan falls short of handling effectively human rights issues affecting illegal foreign residents.

Administrative Reform Panel Recommendation

Under orders to look at foreign workers in Japan and the availability of public services for them from the goal of making Japanese society more internationally oriented, a government administrative reform panel issued a modest recommendation for change this past December. Noting the influx into Japan of illegal unskilled foreign laborers, the panel suggested in principle that the government's current immigration policy be maintained but that some unskilled workers from developing countries be allowed to stay and work over a two-year period in line with a new technical training program.

Current job training schemes are considered ineffective to deal with unskilled foreign workers because these programs were not necessarily set up to meet the varied needs of both a foreign work force and Japanese firms in need of unskilled labor. Job training now is carried out mainly under either government-sponsored economic cooperation programs run by the Japan International Cooperation Agency or as part of private-sector programs in which parent companies host trainees from their overseas subsidiaries or other affiliated firms (see *JEI Report* No. 43A, November 9, 1990).

Job training programs are expensive to run, requiring not only facilities but instructors and supervisory and administrative personnel. Therefore, those firms that can afford to accept trainees under the government's guidelines generally are major corporations. According to a 1990 survey by the Labor Ministry, barely 10 percent of the surveyed 2,718 firms hosted trainees from abroad. As might be expected, the majority of foreign trainees — 57 percent — were at companies employing over 5,000 people. Businesses with 1,000 to 4,999 employees trained 28 percent of the sample, but only 11.4 percent of the trainees were at companies with 300 to 999 employees and a mere 3.4 percent were at firms with less than 300 employees.

The number of foreign trainees in Japan grew by upwards of 2.5 times between 1986 and 1990; participants from the People's Republic of China and Taiwan doubled in 1990 alone (see Table 3). Foreign workers increasingly have sought instruction in job skills considered to be low technology. This expertise often is available only at small and midsized companies, but these are the

Table 3: **Number of Foreign Trainees Entering Japan for First Time by Country of Origin, 1986-90**

	1986	1987	1988	1989	1990
People's Republic of China	2,848	2,688	3,840	3,496	7,624
Thailand	950	2,428	4,708	4,502	5,075
South Korea	2,336	2,800	3,343	4,125	4,485
Malaysia	620	757	1,329	2,175	3,564
Philippines	968	1,207	2,464	3,974	3,460
Indonesia	1,114	1,310	1,378	1,748	2,891
Taiwan	497	375	444	539	1,239
Brazil	521	576	628	851	1,027
India	346	327	313	368	602
United States	328	356	396	416	450
Other Countries	3,860	4,257	4,589	7,295	7,149
Total	14,388	17,081	23,432	29,489	37,566

Source: Ministry of Justice

types of businesses that usually cannot afford to run training programs. Moreover, current regulations scale the number of trainees to the size of the host company. A company with fewer than 50 employees, for example, can accept only up to three trainees; a firm with 51 to 100 employees can take double that number. Proponents of a revamped program for foreign workers point out that, since demand is growing for training in jobs categorized as unskilled or low technology-related, public assistance most likely will be required to encourage the participation of small and midsized businesses.

In line with the December recommendation of the government advisory panel MOL has come up with a new training scheme for foreign workers that covers about 400 types of jobs. Program participants will spend their initial nine months receiving vocational instruction at one of Japan's 300-plus public training facilities, which currently are used to upgrade the job skills of Japanese workers, as well as at host companies. After this training participants who pass job qualification tests can stay in Japan to work in the corporate sector for up to 15 months but no longer. In principle, family members of the trainees will not be allowed to accompany them to Japan. Other features of the new training program include a mandate to host companies to sign up with a special insurance fund that will cover costs associated with accidents and general medical expenses. In addition, the current restriction on the number of trainees a company can have will be reviewed with an eye toward encouraging small- and medium-scale firms to take more trainees.

To facilitate vocational training for foreign workers, especially in small and midsized companies, the Japan International Training Cooperation Organization was established last October jointly by the Ministries of Justice, Foreign Affairs, Labor and International Trade and Industry and the business community. The organization provides assistance to both host companies and trainees, offering guidance and consultation on immigration and training programs plus issues related to personal and community concerns, such as housing, food, cultural differences, accident insurance coverage and medical care. JITCO also helps put trainees in touch with appropriate host companies.

Interest in smoothing the interaction between foreign workers and Japanese citizens is growing. For example, the police and immigration authorities are encouraging their workers to learn not only English but Spanish, Korean, Thai, Persian and other specific languages to avoid miscommunications with foreigners from Third World countries. In addition, the Ministry of Home Affairs this April will establish a foreign language and culture training center to educate local government officials in ways to improve public services for foreign residents. For its part the Ministry of Education is working with local governments to try to expand the number of Japanese language teachers so that more foreign students can attend classes at public schools. In addition, the Ministry of Health and Welfare expects to conduct a survey to determine what diseases are prevalent overseas so that it can improve immunization programs for both foreign residents in Japan and Japanese citizens.

Tokyo expects the new MOL job training scheme and the other initiatives will enable it to get more detailed information about foreign workers in Japan, particularly those doing unskilled work. The hope is that public monitoring eventually will stem the inflow of foreigners willing to work illegally in Japan. In this sense the Labor Ministry's program, which will become operational later this year, not only is a breakthrough for opening the Japanese labor market to legal foreign workers but a lever that enables the government to lower the incentives for hiring illegal foreign workers.

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The views expressed in this report are those of the author and do not necessarily represent those of the Japan Economic Institute.